

RTO West Congestion Management PEC and LSO Open Issues

Attached are summaries of the open issues related to Pre-Existing Contracts (PEC) and Load Service Obligations (LSO) as described in “Attachment B” of the Congestion Management Committee report. For all issues except number 3 there recommended positions.

1. Entitlements to Firm Transmission Rights (FTRs)

Certain existing rights pertaining to LSO or PEC obligations will create an entitlement to either FTRs or FTR auction revenues.

Strawman Position (Recommended)

The entitlement holding transmission customer may elect to receive either FTRs or the auction revenues associated with those FTRs.

Alternative Positions

Alternative 1: The transmission customer shall receive the auction revenues associated with those FTRs.

Alternative 2: The transmission customer may elect to receive FTRs rather than auction revenues only if the customer would be entitled to receive less than 10% of the FTRs on the flowpath. The customer may bid an arbitrarily high price to assure receiving the FTRs.

Alternative 2A: The transmission customer may elect to receive FTRs rather than auction revenues only if the customer would be entitled to receive less than 10% of the FTRs on the flowpath. The customer must offer to purchase FTRs on the same path at a price no less than 10% below their bid to sell FTRs in the auction.

Alternative 3: Each utility’s regulator would decide whether the utility’s FTRs will be held out of the auction or be put into the auction and sold to the highest bidder. In the investor-owned utilities case, the regulators are the state commissions, for publicly owned utilities the regulators are the locally elected officials.

2. Duration of PEC or LSO Obligation

Strawman Position (Recommended)

- Explicit roll-over rights will be honored;
- Pre-Order 888 contracts and Order 888 Open Access contracts associated with firm power service to ~~statutory requirements~~ loads, including statutory requirements, ~~(and also~~ including third party transmission contracts necessary to meet load service obligations~~)~~, are deemed to include transmission rollover rights that shall be honored so long as such rollover rights are exercised.
- PTOs *may* deny rollover rights if the transmission contract provides the PTO with the option to do so.

Pro – Basically this continues the current contract rights options. Continuing the contracts, and the associated payments, helps to mitigate cost shifts.

Con - Tends to lock up more transmission rights, thus not popular with some groups.

Alternative Proposal

- ◇ Explicit roll-over rights will be honored;
- ◇ PTOs *shall* deny rollover rights if the transmission contract provides the PTO with the option to do so.

Pro - Frees up more transmission rights to FTR auction.

Con - Many parties concerned about ability to serve load with their current resources. They feel options for rollover rights, or the right of first refusal, currently exists. Sellers face additional cost shifting.

3. Treatment of load growth for PECs and LSOs

Straw Proposal

Unencumbered FTRs required by annual load growth up to the existing TTC will be allocated to the PEC or LSO rights holder prior to the annual auction.

Alternative Position

The rights holder for PECs or LSOs must buy FTRs for load growth in the auction process.

(No Recommendation)

Support for the Straw Proposal

- 1) Company ratepayers pay for the system and are entitled to the full unencumbered use of the system for which they have paid for load growth.
- 2) Current BPA NT rights provide for load growth up to and beyond TTC, including construction on a basis comparable to BPA's own use of the system (rolled-in).

Support for the Alternative Position

- 1) All transmission customers pay for the system. It is not fair for only Network customers should be entitled to additional FTRs at no cost.
- 2) NT customers are not entitled to expansion beyond TTC at rolled-in rates. The Or Test applies. Then current TTC would likely include replacements and expansion.
- 3) We need to make a transition from the Open Access Tariff to the RTO Tariff. Requiring customers to acquire FTRs for load growth is a gradual transition to the new world, beginning on day one. It immediately sends pricing signals regarding the cost of load growth.

4. Rules for Over Allocation of Flowpaths [After Initial Mapping](#)

Straw Proposal (Recommended)

Prior to the Annual FTR rights auction, the rights would be reduced prorata based on feasible dispatch as described in rules for conversion of PECs and LSOs.

- Pro - This is a simple method and can be implemented quickly. This keeps the FTRs within the physical capability of the system.
- Con - Ignores any current allocation method. Diversity – Owners of joint paths may have options to use the other owners' unused portion, resulting in what looks like an over subscription that is seldom binding. Similarly, nomograms may seldom be binding.

Alternative Positions

1. RTO will buy back FTR rights at day-ahead scheduling or real-time.
 - Pro - May preserve more transmission capability.
 - Con - Puts more transmission capability into the RTO than really exists. Who pays for congestion and losses due to higher transfers?
2. FTR rights will be allocated based on PEC terms and conditions
 - Pro - Would better reflect current contracts. Could use prorata when not specified or allocated.
 - Con - May hinder resale of unneeded FTRs (holder may currently be forbidden to resell). Would require RTO to interpret contracts or all terms to be mutually agreed to by parties.
3. The RTO should use both alternative 1 and alternative 2 as tools to manage the over subscription of flow paths.

5. Feasible Dispatch

Straw Proposal

Feasible dispatch options for determining FTRs:

The rights holder has the option of:

- One feasible dispatch for each month (total of twelve) consistent with PECs and LSOs terms and conditions, or
- Two feasible dispatches (on/off peak) for each month (total of twenty four) consistent with PECs and LSOs terms and conditions.

Alternative 1 (Recommended)

Two feasible dispatches (on/off peak) for each month (total of twenty four) consistent with PECs and LSOs terms and conditions. [In situations where the PEC or LSO provides for rights in both directions on a flowpath, a second set of dispatches may be employed to establish FTRs in the reverse direction.](#)

Alternative 2

Multiple feasible dispatches (on/off peak) for each month consistent with PECs and LSOs term and conditions.

6. Proposed Process for Appeal

Straw Proposal

The RTO-W shall immediately post the terms and conditions of the assertion of LSO rights or proposed conversion or modification on the RTO-W Website. Such posting shall initiate a twenty-one day period through which the RTO-W, or any party whose rights might be materially impacted by the proposed conversion or modification, may submit written protests to the RTO-W, with an explanation of the basis for the protest and a statement regarding the standing of the party in making the protest. Protests shall be limited to questions of fact as specified in Paragraph ____. The proposed conversion or modification shall not take effect during this period; rather, a set of NCR Instructions developed pursuant to Section E.4 will be in effect during this period. However, the NCR instructions shall not reduce or otherwise affect the terms of a preexisting contract.

Alternative 1:

The RTO-W shall immediately post the terms and conditions of the assertion of LSO rights or proposed conversion or modification on the RTO-W Website. Such posting shall initiate a twenty-one day period through which the RTO-W, or any other party, may submit written protests to the RTO-W. The proposed conversion or modification shall not take effect during this period; rather, a set of NCR Instructions developed pursuant to Section ____ will be in effect during this period. However, the NCR instructions shall not reduce or otherwise affect the terms of a preexisting contract.

Compromise: **(Recommended)**

The RTO-W shall immediately post the terms and conditions of the assertion of LSO rights or proposed conversion or modification on the RTO-W Website. Such posting shall initiate a twenty-one day period through which the RTO-W, or any party who might be materially impacted by the proposed conversion or modification, may submit written protests to the RTO-W, with an explanation of the basis for the protest and a statement regarding the standing of the party in making the protest. The proposed conversion or modification shall not take effect during this period; rather, a set of NCR Instructions developed pursuant to Section E.4 will be in effect during this period. However, the NCR instructions shall not reduce or otherwise affect the terms of a preexisting contract.

- Not limited to questions of fact

7. Non-Converted Rights (NCRs)

Non-Converted Rights are transmission service rights that need to be taken account by the RTO-W to provide transmission service using the transfer capability of RTO-W transmission facilities pursuant to PECs which have not been converted to RTO-W Transmission Service. NCRs include those non-converted transmission service rights that are associated with power purchase contracts.

If such transmission service is provided by the RTO-W pursuant to an unconverted PEC or LSO, the RTO-W shall reserve sufficient transfer capability or otherwise provide FTRs across the affected flowpaths to enable the RTO-W or such other responsible party¹ to provide the transmission service to the transmission customer.

The party responsible for scheduling the non-converted PEC or LSO must provide clear instructions (called “NCR Instructions,” which will be defined using a process that has not yet been discussed by the working group) to the RTO-W to allow the RTO-W to meet NCR instructions required to honor the PEC or LSO.

Strawman Position (Recommended)

The RTO-W under rules to be determined can:

- 1) Allocate transmission capacity required to meet the NCR instructions with equivalent FTRs. The party responsible for scheduling the NCR will manage the FTRs required to honor the non-converted PEC or LSO; or
- 2) Remove transmission capacity required to schedule the NCR from the available ATC. After the party responsible for scheduling the NCR submits a schedule to the RTO-W, the RTO-W releases the unused transmission capacity as FTRs, RTRs or NTRs. Rules need to be developed to:
 - a) Determine the amount of transmission capacity to be set aside to honor the PEC or LSO.
 - b) State the Terms and Conditions of the NCR.
 - c) Deal with the RTO-W liability for management of the NCR.
 - d) Resolve disagreements in an open process.

Note - RTO choice between 1 and 2 can be exercised on a case by case basis.

Alternative Position

PTO participates in the FTR auction to meet NCR obligations; the NCRs are converted to auction proceed rights assigned to the party responsible for meeting NCR obligations.

1. The party responsible for scheduling the NCR can be: (1) the rights holder or its designated agent; or (2) the PTO or its designated agent.

8. Monthly Blocks

Straw Proposal

- FTRs for conversion of Network Service PECs will be determined based on Non-coincidental peak loads from 1998-2000.
- FTRs for Network Service will be allocated in monthly blocks. The rights holder can sell excess FTRs on the secondary market.

Alternative Position

- FTRs for Network Service will automatically revert to the RTO as RTRs or NTRs when unscheduled by the rights holder or their agent.

Modified Straw Proposal (Recommended)

- FTRs for conversion of Network Service PECs will be determined based on monthly non-coincidental system peak and off-peak loads from 1998-2000 (24 total loads).
- FTRs for Network Service will be allocated in monthly blocks. The rights holder can sell excess FTRs on the secondary market.
- Customers served by GTAs will not be awarded FTRs associated with the GTAs until the customer's transmission service from the PTO is converted to RTO service.

Support for Straw Proposal

1. This makes all FTRs the same, including the ability to sell FTRs as desired.
2. It provides some financial cushion for uncertainties in the FTR environment.

Support for Alternative Position

1. Network service customers are not allowed to resell or assign unused capacity today.